SOLOMON

# FINANCIAL SPONSORS TREND REPORT

- Private Equity Market Update
- Solomon Financial Institutions Group ("FIG") Spotlight

March 2026

# Solomon Partners Overview

## Expertise You Can Trust, Execution You Can Count On

### A Leading Investment Bank

- Founded in 1989
- Unmatched expertise and experience
- Committed to maximizing shareholder value for our clients

### The Solomon Difference

- Deep industry expertise positions Solomon as a leader across sectors
- Great bankers experienced in working with clients on their most important transactions
- Good people who care about our clients

### Our Diversified Platform

- Unparalleled expertise across industries, having grown from 2 to 12+ core sectors in less than a decade
- Continue to grow our capabilities across M&A, capital advisory, and restructuring

### Why Clients Hire Us

- Focused on our clients' goals and objectives
- Tailored advice and solutions based on decades of experience
- Invested in our client relationships, not just the transaction

## Our Strategic Partner: Natixis

As an independently operated affiliate of Natixis, Solomon provides clients with access to strategic advisory services and proprietary financing capabilities throughout Europe, Asia Pacific and the Americas.

- Capital markets, cross-border M&A, and structured financing capabilities
- Global platform, part of Group BPCE – the 2nd largest banking group in France
- Local presence in key markets

# The Solomon Platform

Since our partnership with Natixis, we have significantly grown and diversified

## Industry Coverage

- Business Services
- Consumer Retail
- Distribution
- Financial Institutions
- Financial Sponsors
- Fintech
- Grocery, Pharmacy & Restaurants
- Healthcare
- Industrials
- Infrastructure, Power & Renewables
- Media & Entertainment
- Professional Services
- Technology

## Product Capabilities

**M&A and Strategic Advisory**

- Sell-side & Buy-side
- Strategic Advisory
- Cross-Border M&A
- Special Committees
- Fairness Opinions
- Activism Defense

**Capital Advisory**

- Financing Advisory
- Debt Advisory & Capital Solutions
- Liability Management
- Financial Restructuring

| 2016 | TODAY |
|---|---|
| **2** Industries | **12+** Industries |
| **10** Managing Directors | **45+** Partners and Managing Directors |
| **35** Bankers | **200+** Bankers |

# Private Equity Snapshot

> **There are mixed signals in the market as we move into 2026. Recent geopolitical tensions and volatility in the private credit markets have increased scrutiny and uncertainty. However, nearly $1 trillion of dry powder and a growing backlog of aging portfolio assets should support increased sponsor activity....**
>
> *- Sash Rentala, Head of Financial Sponsors*

## Cautious Confidence Amid Ongoing Uncertainty

- **Heightened uncertainty entering 2026:** Recent geopolitical tensions and volatility in private credit markets have increased uncertainty. That said, nearly $1 trillion of dry powder and a growing backlog of aging PE-backed assets should provide partial tailwinds for sponsor activity as conditions evolve
- **Recovery in deal activity:** U.S. PE deal count rose 6% YoY in FY'25, marking the second consecutive year of post-pandemic recovery
  - Momentum was concentrated in Services (B2B & B2C) & Technology sectors, which represented 57% and 16%, respectively, of total deal volume
- **Bifurcated market:** Activity remains top heavy, with mega funds, take-privates, and carve-outs driving deal value. In FY'25, +$1B deals represented 52% of total deal value vs. the pre-pandemic average of 36%
- **Exit recovery gaining traction:** Following a softer 2Q'25, exit activity reaccelerated in 2H'25, with exits growing 17% YoY and marking the second year of consecutive growth post-pandemic
  - Holding periods have moderated from the FY'23 peak of 7 years to 6 years in FY'25, though remains above the 5.4 years pre-pandemic average
- **Normalizing valuations:** U.S. median buyout multiples declined to 12.0x in FY'25 vs. 13.4x in FY'24, reflecting improved buyer-seller alignment, which should serve as a constructive backdrop for further deal activity in FY'26
- **Improving credit markets amid emerging risks:** Rate cuts and the continued expansion of the direct lending market have helped improve financing conditions, with BSL and DL spreads coming down 120-180 bps from their FY'22 peaks. However, recent disruptions among tech-focused lenders and rising redemptions across private credit highlight potential pockets of stress

## Top Trends Shaping Private Equity

- **Mixed macro & sticky inflation:** U.S. unemployment remains stable (4.4% as of Feb'26), but job growth remains uneven with ~92k nonfarm payroll jobs lost in Feb'26. Healthcare and social assistance sectors continue to drive gains, offset by job losses across most other sectors. Real GDP grew moderately at 2.2% in FY'25 but remains healthy, while core PCE remains above the Fed's 2% target
  - Escalating tensions with Iran could drive oil prices higher in the near-term, adding inflationary pressure and potentially delaying Fed rate cuts
- **AI risk weighs on investors:** Sponsors are increasingly evaluating AI implications across existing portfolio companies and new investments, as technological disruptions and productivity gains begin to influence underwriting & exits
- **Secondaries gaining traction:** Continuation vehicle ("CV") volume increased 29% YoY through Oct'25 YTD, alleviating exit pressure. As traditional exit paths normalize, CV activity may moderate but should remain a viable option for long-dated, high-quality assets
- **IPO market reopening:** U.S. PE-backed IPO exit value reached $141.4B in FY'25 (23x vs. FY'22), reflecting renewed market appetite and improving capital markets
  - Government shutdown-related delays, alongside global inflationary pressures and rising AI-related risks, weigh on market activity and may hinder recovery
- **Challenged fundraising:** FY'25 U.S. PE capital raised declined 27% YoY (second consecutive annual decline); fund count fell 51% YoY, making a third straight year of contraction
  - LPs continue consolidating commitments into fewer, larger, established managers. The top 10 funds captured >45% of Oct'25 YTD capital raised vs. 35% in FY'24
- **Policy & regulatory environment:** Potential tailwinds from tax policy & tariff-related rulings entering 2026 are offset by continued regulatory scrutiny from the SEC and FTC

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Source: FRED St. Louis Fed and the Board of Governors of the Federal Reserve System, LCD, PitchBook.

# Cautious Confidence Amid Ongoing Uncertainty

**Heightened uncertainty entering 2026:** Recent geopolitical tensions and volatility in private credit markets have increased uncertainty. That said, nearly $1 trillion of dry powder and a growing backlog of aging PE-backed assets should provide partial tailwinds for sponsor activity as conditions evolve

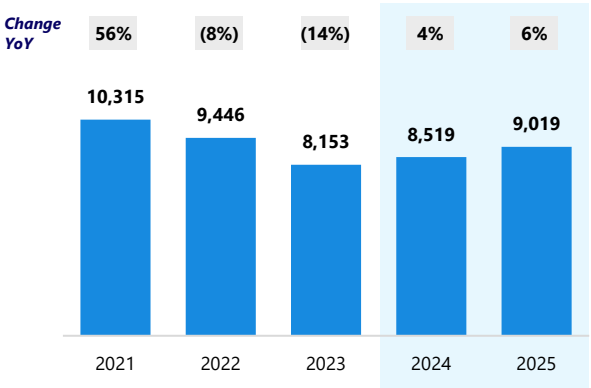
**Recovery in deal activity:** U.S. PE deal count rose 6% YoY in FY'25, marking the second consecutive year of post-pandemic recovery. Momentum was concentrated in Services (B2B & B2C) & Technology sectors, which represented 57% and 16%, respectively, of total deal volume

**Exit recovery gaining traction:** Following a softer 2Q'25, exit activity reaccelerated in 2H'25, with exits growing 17% YoY and marking the second year of consecutive growth post-pandemic

**Improving credit markets amid emerging risks:** Rate cuts and the continued expansion of the direct lending market have helped improve financing conditions, with BSL and DL spreads coming down 120-180 bps from their FY'22 peaks. However, recent disruptions among tech-focused lenders and rising redemptions across private credit highlight potential pockets of stress

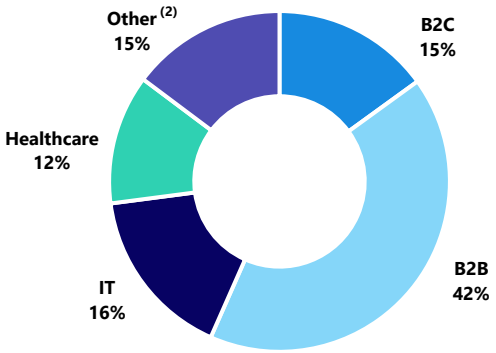
## U.S. PE Deal Count [1]

FY'25 US PE deal activity rose 6% YoY, marking the second consecutive year of post-pandemic recovery...



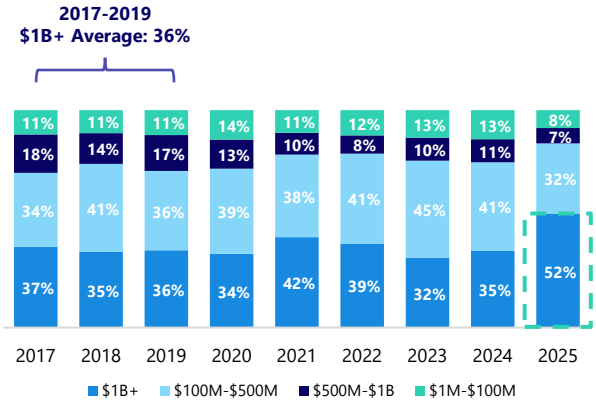

## U.S. PE Deal Count by Sector (2025)

...supported by sustained momentum in Services (B2B & B2C) & Technology, representing 57% and 16%, respectively, of total deal volume...



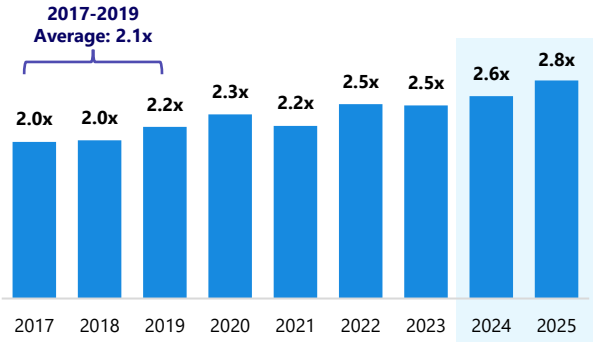

## U.S. PE Deal Value by Size

...along with a notable rise in +$1B mega-deals, accounting for 52% of total deal value vs. the pre-pandemic avg. of 36%




## U.S. PE Investments/Exits by Count [3]

Momentum for investments continues to outweigh exits, with the U.S. PE Investment/Exit ratio reaching a peak of 2.8x in FY'25 vs. pre-pandemic of 2.1x

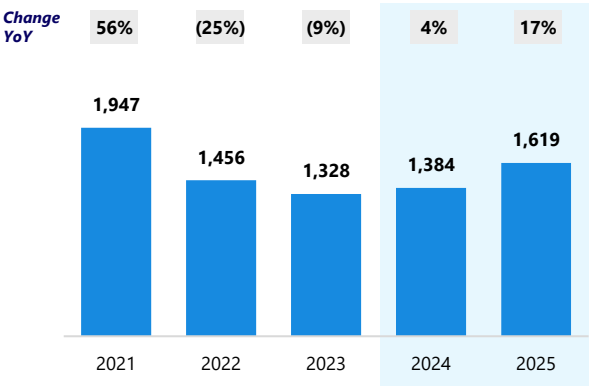



Source: PitchBook.
(1) Estimated deal count includes adjustments to account for late reported deals.
(2) Other includes Materials & Resources, Financial Services, and Energy.
(3) Number of investments excludes add-ons, includes growth equity.

# Cautious Confidence Amid Ongoing Uncertainty

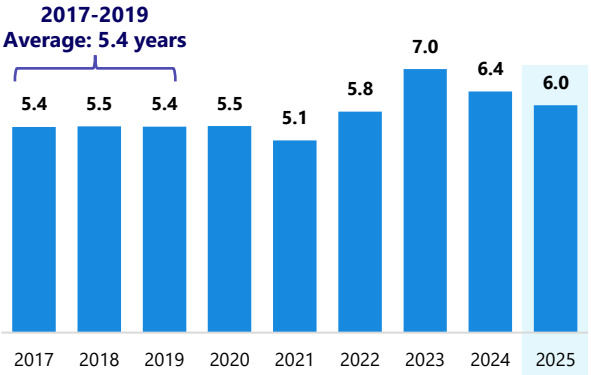
## U.S. PE Exit Count[1]

FY'25 US PE exits climbed 17% YoY, the second year of consecutive increase post-pandemic…



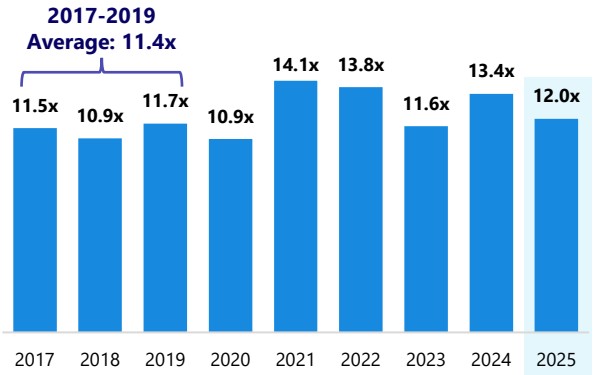

## U.S. PE Median Exit Hold Time (Years)

…attributing to a decrease in PE median hold times from a FY'23 peak of 7 years to 6 years, although still above the pre-pandemic average of 5.4 years



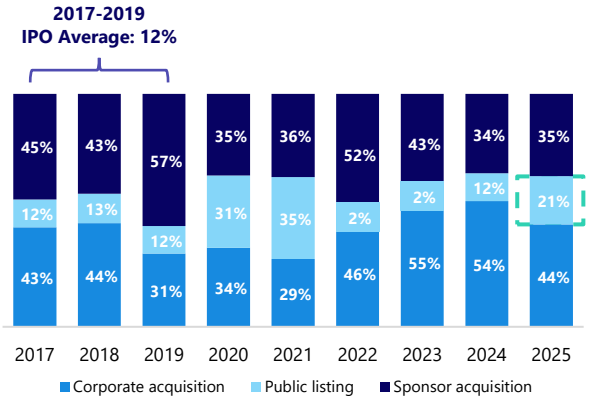

## U.S. Median Buyout EV/EBITDA multiples

Exit activity was supported by tighter valuation expectations, with FY'25 median EV/EBITDA at 12.0x vs. 13.4x in FY'24…



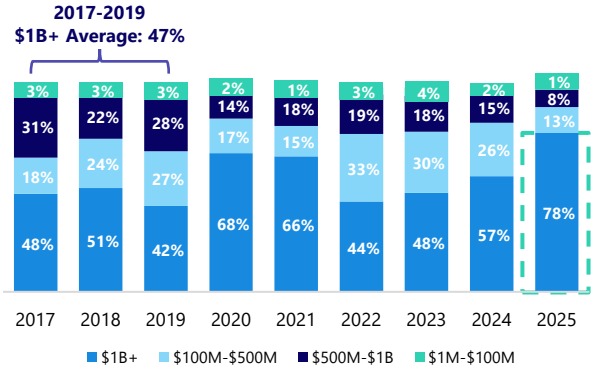

## U.S. PE Exit Value by Type

…& the reopening of the IPO market which accounted for 21% of exit activity by value, up from pre-pandemic average of 12%



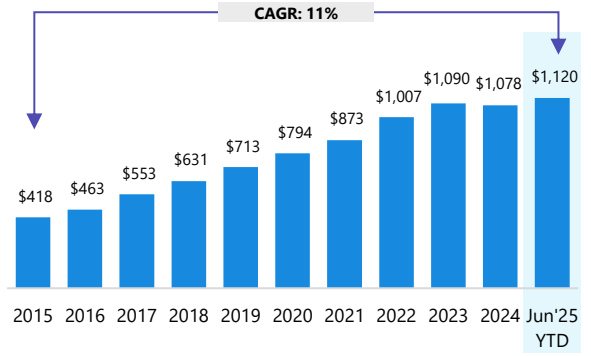

## U.S. PE Exit Value by Size

+$1B were a dominant driver of exits, representing 78% of total exit value, vs. the pre-pandemic average of 47%




## U.S. PE Dry Powder ($B)

U.S. dry powder continues to help support exit momentum, with over ~$1T available to deploy



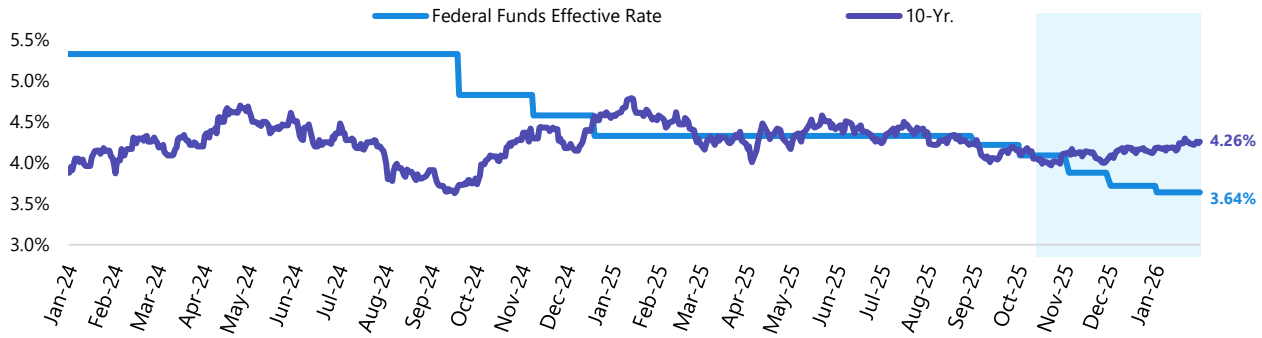

Source: PitchBook.

(1) Estimated exit count includes adjustments to account for late reported deals.

# Cautious Confidence Amid Ongoing Uncertainty

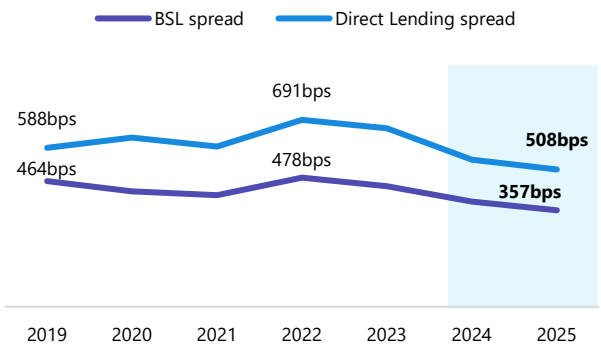
## Fed Funds Rate & 10-Year Yield

Amid a softening labor market, the Fed cut rates by 75 bps in FY'25....




## SOFR Spreads of LBO Financing [1]

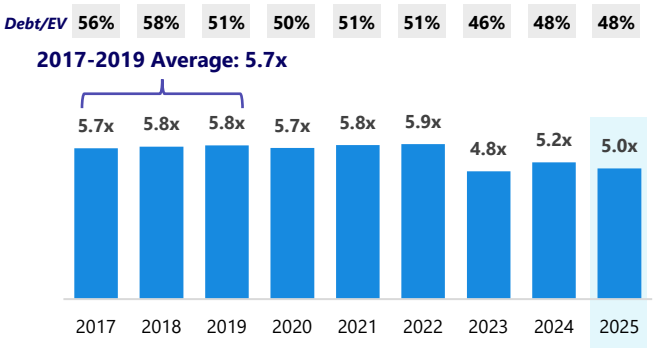
...contributing to a ~120-180 bps decrease in BSL & DL spreads vs. '22 highs, alleviating the cost of debt for sponsors




> **Rebound remains top heavy, with megadeals +$1B making up 52% of total U.S. PE investment value. Large asset managers are benefiting from their scale, enabling them to underwrite higher multiples by driving operational improvements and deploying more capital into M&A to buy down their entry multiple.**
>
> — Tucker Laurens, Managing Director

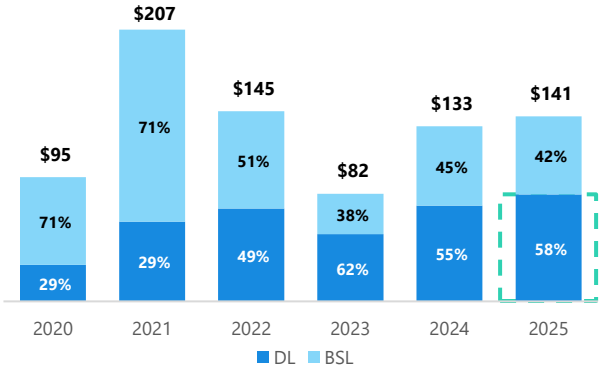
## Debt/EBITDA on U.S. BSL-Funded Deals

Although recovering from FY'23 lows, leverage multiples remain 0.7x turns lower vs. the pre-pandemic average




## LBO Volume Financed in BSL vs. DL ($B)

Post-pandemic, direct lenders have filled the lending void making up 58% of LBO financing in FY'25, up from 29% in FY'21



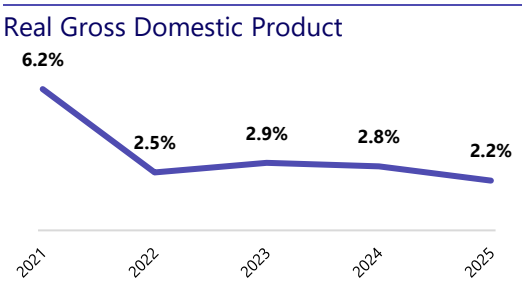

Source: FRED St. Louis Fed and the Board of Governors of the Federal Reserve System, LCD, PitchBook.

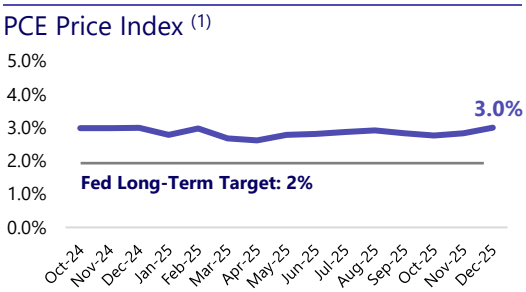
(1) Spreads shown are over the applicable benchmark rate in effect at the time (switched from LIBOR to SOFR mid-2023).

# Top Trends Shaping Private Equity

## Mixed Macro Environment

- Labor market uneven: U.S. unemployment remains stable (4.4% as of Feb'26), but job growth remains uneven with ~92k nonfarm payroll jobs lost in Feb'26 after job numbers came in above expectations in Jan'26
  - Healthcare and social assistance sectors continue to drive gains, offset by job losses across most other sectors
- Growth moderating but positive: Real GDP grew 2.2% in FY'25, down from 2.8% in FY'24, reflecting tariff impacts and government shutdown-related disruption, yet remaining resilient
- Inflation above target: Core PCE remains above the Fed's 2% target, coming in at 3% for Dec'25 driven by service-sector price pressure and strong consumer & government spending
  - Escalating tensions with Iran could drive oil prices higher in the near-term, adding inflationary pressure and potentially delaying Fed rate cuts



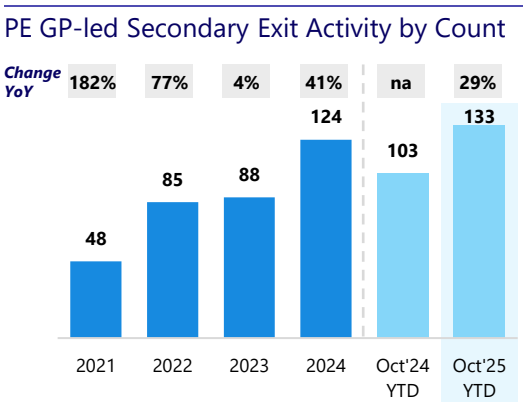




## AI Risk Weighs on Investors

- Sponsors are increasingly evaluating AI implications across existing portfolio companies and new investments, as technological disruptions and productivity gains begin to influence underwriting & exits
- Meaningful PE concentration in software: Software represented ~18% of U.S. PE deal value in '25, leaving sponsors increasingly exposed to volatility and valuations resets in the public markets
  - Multiple compression may unlock opportunities: Periods where there is a dislocation between technology valuations and underlying fundamentals have created attractive entry points for PE investors

## Traction in the Secondary Market Continues

- Secondaries alleviate exit pressure: Continuation vehicles ("CVs") exits continue to increase, growing 29% YoY through Oct'25 YTD
  - As rates decline, IPO markets reopen, and bid-ask spreads between buyer & sellers compress, CV activity may moderate but should remain a viable liquidity solution for GPs seeking additional value creation for portfolio companies toward the end of their investment life

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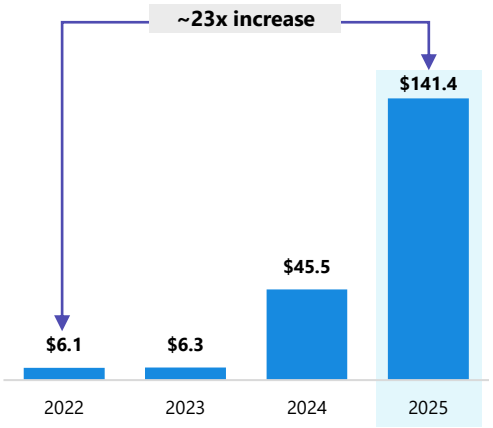
Source: FRED St. Louis Fed and the Board of Governors of the Federal Reserve System, PitchBook.
(1) Indexed to 2017.

# Top Trends Shaping Private Equity

## IPO Market, Renewed Exit Alternative

- Renewed IPO appetite: U.S. PE-backed IPO exit value reached $141.4B in FY'25 (23x vs. FY'22), reflecting renewed market appetite
  - Landmark PE-backed IPOs, such as the >$50B Medline IPO, signal renewed investor confidence and could accelerate sponsor exits via IPO
- Policy & macro uncertainty remains a gating factor: The government shutdown in FY'25 effectively paused IPO filings from October through mid-November, while renewed inflationary pressures tied to global tensions and heightened AI-related risks have weighed on IPO market performance and valuation expectations

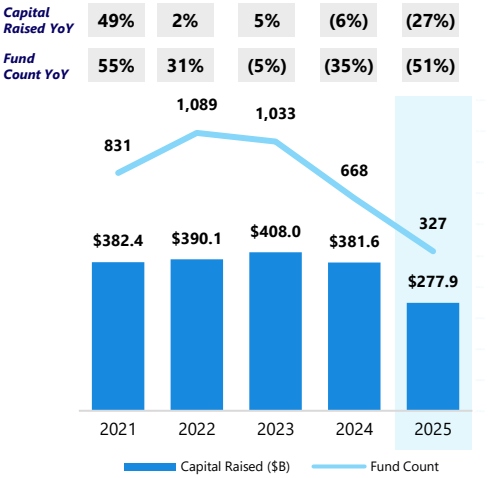
U.S. PE IPO Exit Value ($B)




## Challenged Fundraising

- Fundraising remains subdued: FY'25 U.S. PE capital raised declined 27% YoY marking a second consecutive annual drop, PE fund count fell 51% YoY, the third straight year of decline
  - With reduced allocations to the asset class, LPs are consolidating commitments into fewer, larger, established managers. The top 10 largest funds captured >45% of Oct'25 YTD capital raised vs. 35% in FY'24
- Outlook hinges on exits: Absent a meaningful pickup in liquidity, capital flows are likely to remain concentrated in scaled, established platforms

U.S. PE Fundraising Activity




## Policy & Regulatory Environment

- Tariff policy challenged: In Feb'26, the Supreme Court struck down International Emergency Economic Powers Act-based (IEEPA) tariffs, prompting the administration to implement a 10-15% global tariff under Sec. 122 of the Trade Act of 1974. While legal and legislative outcomes remain fluid, early signals suggest tariffs will stay structurally elevated. Companies with direct exposure may see near-term relief, with ~$175B[1] of IEEPA collections potentially eligible for refund
- Favorable tax regime: '26 tax policy from the Big Beautiful Bill restores 100% bonus depreciation on certain qualified property, maintains favorable carried interest tax treatment, and reverts the interest deductibility cap to an EBITDA-based calculation, providing sponsors with meaningful tax relief and support for renewed deal activity
- Intensifying regulatory scrutiny: The FTC is targeting roll-up strategies, requiring expanded Hart-Scott-Rodino (HSR) disclosures, including up to 10 years of prior acquisitions, particularly focused on sectors such as healthcare. Concurrently, the SEC is increasing oversight of fee transparency and proper expense allocations, enforcing action on inadequate disclosures

Source: FRED St. Louis Fed and the Board of Governors of the Federal Reserve System, PitchBook.
(1) PWBM Microsimulation, Penn Wharton Budget Model.

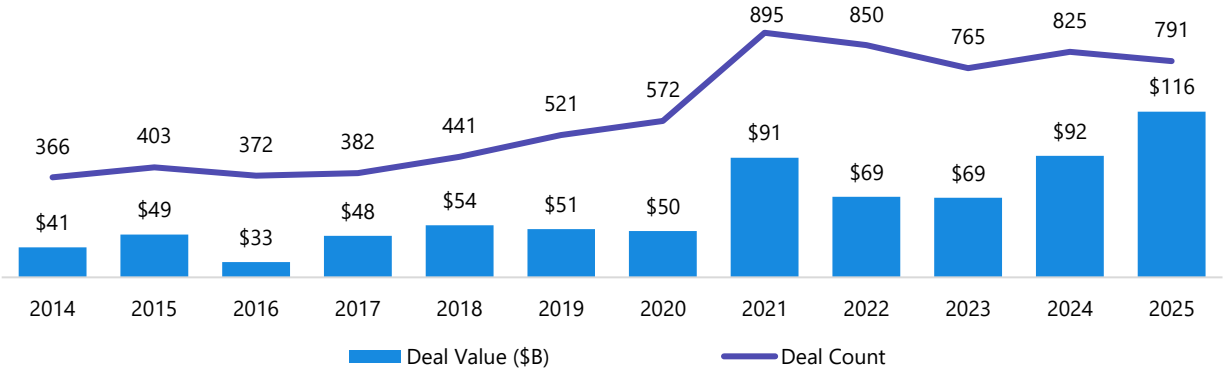
# Financial Institutions Group ("FIG") Spotlight

## FIG Recent M&A Trends

- Despite lower recent deal counts across the financial institutions sector, private equity remains active, supported by expectations of continued Fed rate cuts in 2026 and a sustained interest in the sector's recurring revenues, stable cash flows, and consolidation potential
- While corporate acquirers have been the primary drivers of M&A in the near term, private equity investors are anticipated to re-enter the space with greater intensity as financing markets ease
- Improved loss ratios and profitability metrics have driven increases in property and casualty M&A activity, while life and annuity platforms continue to attract investors focused on capturing spread earnings and expanding assets under management
- The homeowner's insurance market remains stressed as major carriers scale back coverage, creating openings for newer, tech-enabled competitors across both distribution and risk-bearing segments

## U.S. FIG PE Deal Activity, Value and Count

- Private equity deal volume in the financial services sector fell modestly, declining from 825 deals in 2024 to 791 in 2025
- However, private equity deal value in the industry increased sharply, rising from ~$92B in 2024 to ~$116B in 2025, reflecting a trend toward fewer but higher-value transactions across the sector




## Financial Institutions Group Leadership

**Arik Rashkes**
Partner, Head of FIG

**Juan Guzman**
Partner

**Tannon Krumpelman**
Partner

**Faiz Vahidy**
Managing Director

**Matthew Cornish**
Managing Director

**Alex DeOteris**
Managing Director



Source: PitchBook, PwC, S&P Capital IQ.

# Solomon Financial Sponsors

## Team Overview

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**Eric Kramer**
**Coverage Officer**

**Mike Hernandez**
**Associate**

**Rahul Mepani**
**Associate**


Solomon's Financial Sponsors team maintains relationships with a broad range of institutional investors globally. Our experienced group works closely with our industry and product bankers to provide clients with access to quality deal flow and investment ideas.

- **Established presence** in sponsor community
- **Holistic** coverage and approach
- Integrated effort with **increasing flow**

## Selected Transaction Experience

**January 2026**
NEFCO
A portfolio company of
BERTRAM CAPITAL
Sold to
LGP | LEONARD GREEN & PARTNERS
Served as financial advisor to NEFCO

**January 2026**
vytl CONTROLS GROUP
A portfolio company of
MidGround Capital
Sold to
SUNSOURCE
Served as financial advisor to Vytl Controls Group

**January 2026**
SCHILL Grounds Management
Acquired by
TRUARC PARTNERS
Served as financial advisor to Schill Grounds Management

**December 2025**
Xanitos
A portfolio company of
ANGELES EQUITY PARTNERS
Sold to
BESSEMER INVESTORS
Served as financial advisor to Xanitos

**December 2025**
UFT | UNITEDFLOW TECHNOLOGIES
A portfolio company of
HIG ADVANTAGE
Acquired by
Berkshire Partners
Served as financial advisor to UFT

**October 2025**
COTTON HOLDINGS INC.
Sold to
Sullivan Brothers Family of Companies
Served as financial advisor to Cotton Holdings

**October 2025**
FleetPride HEAVY DUTY PARTS & SERVICE
Merged with
TruckPro
Served as financial advisor to FleetPride

**October 2025**
Advent
Acquired
PatientPoint THE POINT OF CHANGE COMPANY
Advised Advent International

**October 2025**
Verity
a portfolio company of
RESURGENS TECHNOLOGY PARTNERS
Sold to
TMX
Served as financial advisor to Verity

**August 2025**
EVERPEAK CAPITAL GROUP
acquired
comlux
America
Served as financial advisor to Everpeak Capital Group

**August 2025**
G2 SECURE STAFF
a portfolio company of
TENEX | CAPITAL MANAGEMENT
acquired by
MENZIES AVIATION
Served as financial advisor to G2 Secure Staff

**June 2025**
THERMOGENICS
a portfolio company of
Audax Private Equity
acquired by
Morgan Stanley CAPITAL PARTNERS
Advised Thermogenics

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